

File

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LISTING STATEMENT No. 2333

LISTED DECEMBER 31, 1968

3,608,758 common shares without nominal or par value, of which 586,550 shares are subject to issuance.  
 Stock Symbol "TIH"  
 Post Section 8.4  
 Dial Quotation No. 1937

## THE TORONTO STOCK EXCHANGE

### LISTING STATEMENT

#### TOROMONT INDUSTRIAL HOLDINGS LTD.

Incorporated under the Laws of Canada by  
 Letters Patent dated January 31, 1961

COMMON SHARES WITHOUT NOMINAL OR PAR VALUE  
 (Transferable in Toronto and Montreal)

Capitalization as at December 13, 1968

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Common Shares Without Nominal or Par Value	10,000,000	3,022,208	3,608,758*
*Of which 586,550 are subject to issuance			

December 13, 1968.

#### 1. APPLICATION

Toromont Industrial Holdings Ltd. (hereinafter called "the Company") hereby makes application for the listing on The Toronto Stock Exchange of 3,608,758 common shares without par value in the capital stock of the Company, of which 3,022,208 have been issued and are outstanding as fully paid and non-assessable. The remaining 586,550 common shares included in this application have been reserved as follows:

Employees' stock options at \$1.75 per share expiring September 21, 1971 .....	70,800
Reserved for employees' stock options not yet granted .....	3,250
Executive stock option at \$1.50 per share, expiring May 31, 1972 .....	12,500
For issue upon exercise of warrants .....	500,000
	<u>586,550</u>

#### 2. HISTORY AND INCORPORATION

The Company was incorporated under the Laws of Canada by Letters Patent dated January 31, 1961, with an authorized capital of 1,000,000 common shares of the par value of \$1 each. By Supplementary Letters Patent dated September 15, 1964, the then issued and outstanding 472,011 common shares and 527,989 unissued common shares of the par value of \$1 each were changed into shares without nominal or par value and the authorized capital of the Company was increased to 5,000,000 shares without nominal or par value.

By Supplementary Letters Patent dated April 20, 1965, each of the then authorized 5,000,000 shares without nominal or par value (issued or unissued) was subdivided into two shares without nominal or par value, so that the authorized capital of the Company consists of 10,000,000 shares without nominal or par value.

#### 3. NATURE OF BUSINESS

The Company is a holding company whose only assets, other than moneys in the bank and a nominal amount of office equipment, are all of the issued and outstanding shares of F. B. McFarren Limited, Modern Handling Methods Ltd., Clare Brothers Limited, Viking Pump Company of Canada Limited, W. E. Dillon Co., Limited and Lloyd Truax Limited, except 406,849 preference shares of Lloyd-Truax Limited. For details of the operations of the subsidiary companies, see Item 8 dealing with subsidiary companies.

The Company and its subsidiaries employ 224 salaried and 516 hourly rated employees.



#### 4. SHARE ISSUES DURING PAST TEN YEARS

(a) Shares of the par value of \$1 each,—

DATE OF ISSUE	NO. OF SHARES ISSUED	AMOUNT REALIZED PER SHARE	TOTAL AMOUNT REALIZED	PURPOSE OF ISSUE
Feb. 20, 1961	11	\$1	\$ 11	Incorporators' shares
Oct. 4, 1961 to Dec. 31, 1961	13,000	\$1	13,000	Extension of Company business
Jan. 1 to Dec. 31, 1962	80,000	\$1	80,000	Purchase of shares of F. B. McFarren Ltd.
Jan. 1, 1963 to Dec. 31, 1963	186,750	\$1	186,750	Reduction of bank and other loans
Jan. 15, 1964	1,250	\$1	1,250	Reduction of bank loans
June 10, 1964	191,000	\$1	191,000	Reduction of bank loans

(Note: By Supplementary Letters Patent of September 15, 1964, the 472,011 issued shares and 527,989 unissued shares of the par value of \$1 each were changed into the like number of shares without nominal or par value.)

(b) Shares without par value,—

Nov. 9, 1964	215,250	\$2	430,500	Reduction of bank loans
(Note: By Supplementary Letters Patent of April 20, 1965, the outstanding 687,261 shares without par value were subdivided into 1,374,522 shares without par value.)				
July to Aug. 1965	70,612	\$2.999	211,831.52	Acquisition of minority interests in F. B. McFarren Ltd., Modern Handling Methods Limited and Clare Brothers Limited
July to Dec. 1966	62,301	\$3.25	202,478.25	Reduction of bank loans
July to Dec. 1966	1,700	\$2.76	4,692	Exercise of employee stock options
1967	573	\$3.25	1,862	Balance of public offering in 1966 to reduce bank loans
Dec. 6, 1968	*1,500,000	\$1.80	2,700,000	Private placement used to reduce bank loans and maintain working capital
Dec. 11, 1968	12,500	\$1.25	15,625	Exercise of employee stock options

\*(NOTE: Accompanied by 500,000 Stock Purchase Warrants (Section 10(e)) A commission of 10¢ per share was paid to Wisener and Partners Company Limited, the Company's agent in this transaction.)

#### 5. STOCK PROVISIONS AND VOTING RIGHTS

Each common share carries one vote at all meetings of the shareholders. There are no shares other than common shares.

#### 6. DIVIDEND RECORD

The Company has not paid any dividend on its shares.

#### 7. RECORD OF PROPERTIES

The Company is a holding company and actually owns no property.

#### 8. SUBSIDIARY COMPANIES

The Company has six subsidiary companies,—

1. **F. B. MCFARREN LIMITED** — A private company incorporated under the Laws of the Province of Ontario by Letters Patent dated April 18, 1929, with an authorized capital of 800 common shares of the par value of \$100 each, of which 548 shares have been issued at par, all of which are now owned by Toromont Industrial Holdings Ltd. This subsidiary manufactures and sells a high quality range of building bricks. It has its plant at Streetsville, Ontario. Control was acquired by Toromont Industrial Holdings Ltd. on April 22, 1963.

2. **MODERN HANDLING METHODS LIMITED** — Incorporated under the Laws of the Province of Ontario by Letters Patent dated October 25, 1955, with an authorized capital of 34,600 shares without par value, of which 21,384 shares have been issued for an aggregate consideration of \$452,312.13, all of which shares are now owned by Toromont Industrial Holdings Ltd. This subsidiary is a holding company which owns all of the issued shares of El-Met-Parts Limited. El-Met-Parts Limited is a company incorporated by Letters Patent of Ontario dated March 21, 1950. It has an authorized capital of 67,575 5% non-cumulative redeemable preference shares of the par value of \$1 each, none of which have been issued, and 17,000 common shares without par value, of which 15,650 common shares have been issued for a consideration of \$99,750, and all of which are owned by Modern Handling Methods Limited. El-Met-Parts Limited has its office and plant at Dundas, Ontario, and manufactures magnetic cores for electric and electronic applications. Toromont Industrial Holdings Ltd. acquired control of Modern Handling Methods Limited on October 1, 1963.

3. **CLARE BROTHERS LIMITED** — Clare Brothers Limited was incorporated by Letters Patent of Canada dated February 27, 1903, under the name Clare Bros. & Co. (Limited) with an authorized capital of \$290,000



divided into 2,900 shares of \$100 each. By Supplementary Letters Patent dated February 6, 1953, the name of the Company was changed to Clare Brothers Limited. By further Supplementary Letters Patent dated December 26, 1962, the authorized capital was changed to consist of \$850,000 divided into 560,000 preferred shares of the par value of \$1 each (of which 434,872 are issued and outstanding) and 2,900 common shares of the par value of \$100 each, of which 2,861 are issued and outstanding. All of the issued shares of Clare Brothers Limited are held by Toromont Industrial Holdings Ltd. Clare Brothers Limited manufactures heating and air conditioning units at its plant at Preston, Ontario. Clare Brothers Limited has one wholly owned United Kingdom subsidiary, James Smart Heating Limited which in turn owns all of the issued shares of Canuk Warm Air Heating Supplies Ltd. James Smart Heating Limited is engaged in the sale of heating appliances in the United Kingdom. Canuk Warm Air Heating Supplies Ltd. was engaged in the business of installing heating equipment but is now dormant. Clare Brothers Limited owns a 60% interest in Commandair Ltd., a United Kingdom Company engaged in the manufacture of heating appliances. Negotiations are now in progress whereby James Smart Heating Limited will acquire the remaining 40% interest in Commandair Ltd. Toromont Industrial Holdings Ltd. first acquired a controlling interest in Clare Brothers Limited on July 14, 1964.

4. **VIKING PUMP COMPANY OF CANADA LIMITED** — This Company was incorporated under the Canada Companies Act by Letters Patent dated February 16, 1924. It has an authorized capital of \$250,000 divided into 21,000 preferred shares of \$10 each and 400 common shares of \$100 each. Of the said 21,000 preferred shares, 9,034 have been issued and 3,724 thereof have been redeemed, leaving 5,310 preferred shares outstanding. 301 of the common shares have been issued at par and are outstanding. All of the issued shares of this Company are owned by Toromont Industrial Holdings Ltd. Viking Pump Company of Canada Limited has its head office at Windsor, Ontario, where it manufactures rotary, centrifugal and turbine industrial pumps. The Company has sales offices in Montreal, Toronto, Winnipeg and Vancouver and warehouse facilities at Vancouver and Winnipeg. Toromont Industrial Holdings Ltd. acquired control of Viking Pump Company of Canada Limited on June 3, 1965.

5. **W. E. DILLON Co., LIMITED** — was incorporated under the Companies Act of Ontario by Letters Patent dated May 30, 1906. Its authorized capital consists of 2,475 non-voting Class A preference shares of \$100 each, 4,000 Class B preference shares of the par value of \$1 each and 4,000 common shares without par value. There are issued and outstanding no preference shares and 4,000 common shares, all of which are now owned by Toromont Industrial Holdings Ltd. This Company carries on business at the Borough of East York, a suburb of Toronto and is a manufacture of and contractor for sheet steel and other metal products. It produces custom sheet metal work in many varieties, using steel, stainless steel, aluminum, copper and light structural sections. It manufactures heavy plate electrical control cabinets; doors, frames and cabs for elevators; hollow metal doors, frames, fire doors, toilet compartments, door and wall louvres, etc. Toromont Industrial Holdings Ltd. acquired control of W. E. Dillon Co., Limited on November 15, 1965.

6. **LLOYD-TRUAX LIMITED** — was created by Letters Patent of Ontario dated May 2, 1963, amalgamating C. Lloyd & Son Limited and R. Truax Son & Company Ltd., which had been incorporated under the Ontario Companies Act on March 17, 1922, and August 23, 1949, respectively, which companies carried on businesses established in 1888, in the case of Lloyd, and 1867, in the case of Truax. The authorized capital of Lloyd-Truax Limited is 982,100 preference shares of the par value of \$1 each and 200,000 common shares without par value. There are presently issued and outstanding 406,849 preference shares of which none are owned by Toromont Industrial Holdings Ltd. and 126,320 common shares, all of which are owned by Toromont Industrial Holdings Ltd. This Company operates plants at Wingham and Walkerton in Ontario and owns and operates a warehouse and office in Toronto. It manufactures wooden doors of all descriptions. Toromont Industrial Holdings Ltd. acquired control of Lloyd-Truax Limited on December 15, 1965.

#### 9. FUNDED DEBT

The Company has no funded debt.

Lloyd-Truax Limited has funded debt outstanding consisting of:

DESCRIPTION OF ISSUE	AGGREGATE AMOUNT AUTHORIZED	PRINCIPAL AMOUNT OUTSTANDING	MATURITY DATE	INTEREST DATES
5% unsecured debentures	\$311,000	\$291,530	Feb. 1, 1983	February 1
Notes 5½ %	\$133,000	\$ 79,800	Serially Dec. 31, 1968-1970, \$26,600 each year	December 31

MODERN HANDLING METHODS LIMITED  
EL-MET-PARTS LIMITED

9% mortgage bond

W. E. DILLON Co., LIMITED

6½ % Mortgage	\$ 50,000	\$ 50,000	Nov. 15, 1970	November 15
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(Note: Reference is made to the Notes to the Consolidated Financial Statements of the Company as at December 31, 1967.)

#### 10. OPTIONS, UNDERWRITINGS, ETC.

(a) The Company has granted to certain employees of the Company and its subsidiaries incentive options expiring September 1, 1971, to purchase 70,800 common shares in the capital stock of the Company at \$1.75 per share and there are reserved for additional stock options which may be granted under the Company's incentive stock option plan an additional 3,250 shares.

(b) The Company has granted to a senior executive an option exercisable after June 1, 1969, and expiring May 31, 1972, to purchase 12,500 shares of the Company at \$1.50 per share.

(c) There are no underwriting agreements outstanding.

(d) There are no issued shares of the Company held for the benefit of the Company.

(e) There are no other outstanding options, underwritings, sale agreements or other contracts or agreements of a like nature with respect to any unissued shares, except that, in connection with the sale by private placement on December 6, 1968, of the 1,500,000 shares referred to in Section 4, the Company created and



issued 500,000 stock purchase warrants expiring December 31, 1973, exercisable at \$2.25 per share until December 31, 1970, thereafter at \$3 per share until December 31, 1972, thereafter at \$4 per share until December 31, 1973, when the warrants expire.

There are no issued shares of the Company held for the benefit of the Company and no shares in the capital stock of the Company are, to the knowledge of the officers and directors of the Company, held in escrow.

# 11. LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other Stock Exchanges.

# 12. STATUS UNDER SECURITY ACTS

Particulars of any filing, registration, approval or qualification with, on or by, the Ontario Securities Commission, or any corresponding governmental body or authority are as follows,—

In connection with the issue by the Company on or about September 30, 1964, to its then existing shareholders of the right to subscribe for additional shares, applications were made to The Ontario Securities Commission and The Quebec Securities Commission. Neither Commission objected to the proposed sale.

The Ontario Securities Commission issued its official receipt dated June 1, 1966, acknowledging receipt of the material required under The Securities Act, Ontario, in reference to the offering of 1,000,000 shares of the Company. The Company permitted its registration as a Security Issuer to lapse on May 31, 1967.

The Quebec Securities Commission, by letter dated May 9, 1966, granted registration of the Company as a Security Issuer and acknowledged receipt of the material required under The Securities Act, Quebec, in reference to the offering of 1,000,000 shares of the Company. The Company permitted its registration as a Security Issuer to lapse on April 29, 1967.

The Quebec Securities Commission, by letter dated December 5, 1968, granted registration as a Security Issuer and permission in respect of the sale of the 1,500,000 shares and 500,000 Stock Purchase Warrants referred to in 4 (b) and 10 (e).

In connection with the sale of the 1,500,000 shares and 500,000 stock purchase warrants referred to above, the Company has filed with The Ontario Securities Commission Form 8 prescribed by the Regulations made under The Ontario Securities Act.

# 13. FISCAL YEAR

The fiscal year of the Company ends December 31 in each year.

# 14. ANNUAL MEETING

The by-laws of the Company provide that the annual meeting of the Company shall be held at such time and on such date in each year as the Board of Directors may from time to time determine. The last annual meeting was held at the Royal York Hotel, Toronto, Ontario, on May 13, 1968.

# 15. HEAD AND OTHER OFFICES

The head office is located at 1214 Lawrence Avenue West, Toronto, Ontario. The Company has no other offices.

# 16. TRANSFER AGENT

The Transfer Agent of the Company is Crown Trust Company, 302 Bay Street, Toronto, Ontario and 393 St. James Street West, Montreal, P.Q.

# 17. TRANSFER FEE

No fee is charged on stock transfer, other than the customary government transfer taxes.

# 18. REGISTRAR

The Registrar of the Company is Crown Trust Company at its offices at 302 Bay Street, Toronto, and 393 St. James Street West, Montreal.

# 19. AUDITORS

The auditors of the Company are Touche, Ross, Bailey & Smart, Chartered Accountants, 200 University Avenue, Toronto, Ontario.

# 20. OFFICERS

NAME	OFFICE	ADDRESS
Richard Coulton Berkinshaw, C.B.E., LL.D.	Chairman of Board	34 Rosedale Road Toronto, Ontario
Wilfred Austin Curtis, C.B., C.B.E., D.S.C., LL.D., D.Mil.Sc., F.C.A.S.C.I.	Deputy Chairman	610 Avenue Road Toronto, Ontario
Robert McLean Prior Hamilton	President and Chief Executive Officer and Chairman of Management and Executive Committee	333 Cortleigh Blvd. Toronto, Ontario
André Marcil	Vice-President	87 McCulloch Avenue Outremont, P.Q.
Charles Donald Lloyd	Administrative Assistant to President and Secretary	Wingham, Ontario
James F. Saunders	Treasurer	272 Leopold Street Wingham, Ontario
William Taylor	Assistant Secretary-Treasurer	Apt. 516, 3000 Dufferin Street Toronto, Ontario



21.

DIRECTORS

NAME	ADDRESS	OCCUPATION DURING LAST FIVE YEARS
William Mathews Vacy Ash, M.A.	76 Old Forest Hill Road Toronto, Ontario	Director of Companies
David Campbell Barber	27 Dunloe Road Toronto, Ontario	President, Precision Castings Ltd.
Richard Coulton Berkinshaw, C.B.E., LL.D.	34 Rosedale Road Toronto, Ontario	Director of Companies
Peter Louis Browne	42 Scarborough Cres. Scarborough, Ontario	President of the Company to May 31, 1968, now Financial Consultant
H. Roy Crabtree	2055 Peel Street Montreal, P.Q.	Chairman and President, Wabasso Ltd.
Wilfred Austin Curtis, C.B.E., D.S.C., LL.D.	619 Avenue Road Toronto, Ontario	Director of Companies
Robert McLean Prior Hamilton	333 Cortleigh Blvd. Toronto, Ontario	Director of Companies
Alfred Thomas Hunt	130 Old Forest Hill Road Toronto, Ontario	Chairman of the Board, Gestetner (Canada) Ltd.
John Thomas Johnson	98 Bedford Road Toronto, Ontario	Solicitor
Herbert Hayman Lank	1135 Beaver Hall Hill Montreal, P.Q.	President and later Chairman of the Board, Dupont of Canada Ltd.
André Marcil	360 St. James St. West Montreal, P.Q.	President, Marcil Mtge. Corp.
Percy Nightingale	7 Thornwod Road, Apt. 305 Toronto, Ontario	Retired Executive
Sir Neil Methuen Ritchie, O.B.E., K.C.B., D.S.O., M.C.	34 King Street East Toronto, Ontario	President and Director, Mercantile & General Reinsurance Company of Canada Ltd.
Frank T. Sherk	366 Bay Street Toronto, Ontario	Director of Companies
Edward C. Wood	Suite 1912, Royal Bank Bldg. Place Ville Marie, Montreal	Senior Executive, Imperial Tobacco Ltd.

22.

CERTIFICATE

Pursuant to a resolution passed by its Board of Directors, Toromont Industrial Holdings Ltd. hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

TOROMONT INDUSTRIAL HOLDINGS LTD.  
"R. M. P. HAMILTON", President  
"C. D. LLOYD", Secretary

Corporate  
Seal

Distribution of Common stock as of December 13th, 1968:

Number	Shares
15 Holders of 1 — 24 share lots .....	114
24 " " 25 — 99 " " .....	1,169
75 " " 100 — 199 " " .....	7,800
50 " " 200 — 299 " " .....	8,360
19 " " 300 — 399 " " .....	5,930
16 " " 400 — 499 " " .....	6,816
74 " " 500 — 999 " " .....	48,968
184 " " 1000 — up " " .....	2,943,051
457 Shareholders	Total shares 3,022,208

# FINANCIAL STATEMENT

## TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1968

#### ASSETS

##### CURRENT:

Cash and short-term notes .....	\$ 181,429	
Accounts receivable .....	2,649,488	
Inventories, at the lower of cost or market .....	3,732,125	
Prepaid expenses and deposits .....	108,754	
		<u>\$ 6,671,796</u>

##### FIXED:

Land, at cost .....	85,185	
Buildings and equipment, at cost .....	\$ 6,277,205	
Less accumulated depreciation .....	3,645,896	
		<u>2,631,309</u>
		2,716,494

##### OTHER:

Special refundable tax .....	20,273	
Cash surrender value of life insurance .....	72,172	
Patents, at cost less amortization .....	48,658	
		<u>141,103</u>

Excess of cost of shares of subsidiaries over book value of underlying net assets at dates of acquisition .....	705,280	
		<u>\$10,234,673</u>

#### LIABILITIES

##### CURRENT:

Bank indebtedness, subsidiaries (secured) .....	\$ 1,905,260	
Accounts payable and accrued liabilities .....	1,625,954	
Taxes on income .....	234,939	
Sundry loans .....	50,360	
Long-term debt—current portion (Note 3) .....	161,360	
		<u>\$ 3,977,873</u>

Demand bank loans, secured, arranged to acquire shares of subsidiaries (Notes 2 and 6) .....	3,280,746	
Long-term debt (Note 3) .....	743,670	
Less current portion .....	161,360	
		<u>582,310</u>

Deferred income taxes .....	270,585	
Minority interest in subsidiaries .....	413,217	

#### SHAREHOLDERS' EQUITY

##### CAPITAL STOCK (NOTES 4 AND 6):

Authorized		
10,000,000 shares without par value		
Issued and fully paid		
1,509,708 shares .....	1,323,375	
Retained earnings .....	386,567	
		<u>1,709,942</u>
		<u>\$10,234,673</u>

See notes to consolidated financial statements.

On behalf of the Board:

R. M. P. HAMILTON, Director  
W. A. CURTIS, Director



## TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE TEN MONTHS ENDED OCTOBER 31, 1968

Sales .....		\$12,300,556
Cost of sales .....		9,299,147
Gross profit .....		3,001,409
Selling, general and administrative expenses .....		2,494,891
Operating profit .....		506,518
Other expenses .....	\$ 22,413	
Less other income .....	12,940	
		9,473
Profit before taxes on income .....		497,045
Provision for taxes on income		
Current .....	259,510	
Deferred .....	12,490	
		272,000
Net profit before interest on special bank loans .....		225,045
Interest on bank loans arranged to acquire shares of subsidiaries .....		216,060
Combined net income .....		8,985
Minority interest in losses less profits of subsidiaries .....		2,620
Net income for the period .....		11,605
Retained earnings, January 1, 1968 .....		374,962
Retained earnings, October 31, 1968 .....		<u>\$ 386,567</u>

## TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE TEN MONTHS ENDED OCTOBER 31, 1968

#### SOURCE OF FUNDS:

Combined net income for the period .....	\$ 8,985	
Add charges to operations not requiring the use of funds:		
Depreciation and amortization .....	\$248,041	
Provision for deferred income taxes .....	12,490	
		260,531
Funds provided from operations .....		\$269,516
Proceeds on disposal of fixed assets .....		8,134
Repayment of special refundable tax .....		2,712
Sale of shares of United Kingdom subsidiary .....		14,300
		<u>294,662</u>

#### APPLICATION OF FUNDS:

Additions to fixed assets .....	175,397	
Redemption of preferred shares of a subsidiary .....	26,951	
Dividends paid to minority shareholders .....	10,846	
Reduction in long-term debt .....	105,930	
Increase in cash surrender value of life insurance .....	3,217	
		322,341
Decrease in working capital during the period .....		<u>\$ 27,679</u>



# TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1968

### 1. PRINCIPLES OF CONSOLIDATION AND EXCHANGE CONVERSION:

The consolidated financial statements include the accounts of all subsidiary companies. The accounts of the United Kingdom subsidiaries have been converted to Canadian funds for purposes of consolidation on the following basis:

- Current assets and liabilities at \$2.60 to £1.
- Fixed assets at the exchange rates prevailing at dates of acquisition.
- Income and expenses at \$2.60 to £1.

### 2. DEMAND BANK LOANS TO ACQUIRE SHARES OF SUBSIDIARIES:

These bank loans, payable by the parent company, are secured by assignment of the shares of subsidiary companies. Although payable on demand, they have been classified as non-current liabilities since it is the company's intention to replace them by equity capital (see note 6).

### 3. LONG-TERM DEBT:

The following is an analysis of long-term debt:

	CURRENT	NON-CURRENT
F. B. McFarren, Limited		
Special bank loans — secured .....	\$ 10,300	\$ 76,000
W. E. Dillon Co., Limited		
6½ % mortgage payable November 15, 1970 .....	—	50,000
Lloyd-Truax Limited		
5½ % loans repayable in equal annual instalments, 1968 to 1970 .....	26,600	53,200
5% unsecured debentures, repayable in approximately equal instalments over a period of twelve years .....	25,960	265,570
Modern Handling Methods Limited and its subsidiary, El-Met-Parts Limited		
6¼ % bank loan, payable \$5,000 monthly .....	50,000	60,000
Notes payable (not subject to interest) .....	16,000	—
9% mortgage bond, repayable in quarterly instalments of \$8,125 .....	32,500	48,750
Policy loan secured by cash surrender value of life insurance .....	—	28,790
	<u>\$161,360</u>	<u>\$582,310</u>

### 4. CAPITAL STOCK:

At October 31, 1968, 95,800 shares of the company's capital stock had been allocated under Incentive Stock Option Plans for executives of the company and its subsidiaries, and a further 3,250 shares were reserved for stock options not yet granted at that date. Since October 31, 1968 options on 12,500 shares included above have been taken up. See also reference to stock purchase warrants in note 6.

### 5. CHARGES TO INCOME:

The combined net income for the ten months ended October 31, 1968 is after charging the following costs and expenses:

Depreciation of fixed assets and amortization of patents .....	\$248,041
Directors' remuneration .....	36,313
Interest on long-term debt .....	43,939

### 6. TRANSACTIONS SINCE BALANCE SHEET DATE:

Subsequent to October 31, 1968, 1,500,000 shares of the company's capital stock were sold to institutional investors at a price of \$1.80 per share, together with 500,000 stock purchase warrants expiring December 31, 1973, exercisable at \$2.25 per share until December 31, 1970, thereafter at \$3.00 per share until December 31, 1972, thereafter at \$4.00 per share until December 31, 1973 when the warrants expire.

The net proceeds of \$2,550,000, after deducting a placement fee of \$150,000, were applied as follows:

Reduction of bank loans arranged to acquire shares of subsidiaries .....	\$2,480,746
Increase in working capital .....	69,254
	<u>\$2,550,000</u>




# TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE THREE YEARS AND TEN MONTHS ENDED OCTOBER 31, 1968

	YEAR ENDED DECEMBER 31			10 MONTHS ENDED OCTOBER 31, 1968 (UNAUDITED)
	1965	1966	1967	
Sales .....	\$12,745,566	\$14,260,752	\$14,645,171	\$12,300,556
Cost of sales .....	9,827,056	10,894,138	11,335,387	9,299,147
Gross profit .....	2,918,510	3,366,614	3,309,784	3,001,409
Selling, administrative and general expenses .....	2,305,491	2,596,320	2,921,005	2,494,891
Operating profit .....	613,019	770,294	338,779	506,518
Other income (expense) — net .....	35,410	23,024	(9,600)	(9,473)
Profit before taxes on income .....	648,429	793,318	379,179	497,045
Provision for taxes on income .....	317,328	401,462	198,716	272,000
Net profit before the following items .....	331,101	391,856	180,463	225,045
Special and non-recurring items:				
Profit on disposal of land and building, less related income taxes .....	77,484	—	—	—
Profit on disposal of marketable securities .....	58,620	—	—	—
	467,205	391,856	180,463	225,045
Interest on bank loans arranged to acquire shares of subsidiaries .....	81,551	170,715	191,339	216,060
Professional fees and other expenses in connection with public financing .....	—	23,567	—	—
Cost of investigating potential company acquisitions .....	—	2,242	1,167	—
Loss on devaluation of United Kingdom currency .....	—	—	34,395	—
	81,551	196,524	226,901	216,060
Combined net income (loss) .....	385,654	195,332	(46,438)	8,985
Deduct:				
Earnings prior to acquisition .....	142,007	—	—	—
Minority interest in income (loss) .....	9,789	40,723	23,025	(2,620)
Net income (loss) for the period .....	233,858	154,609	(69,463)	11,605
Retained earnings, beginning of period ....	68,465	302,323	456,932	374,962
	302,323	456,932	387,469	386,567
Organization expenses written off .....	—	—	12,507	—
Retained earnings, end of period .....	\$ 302,323	\$ 456,932	\$ 374,962	\$ 386,567





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